

OCEAN HILL COLLEGIATE CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015

(With Comparative Totals for 2014)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Ocean Hill Collegiate Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Ocean Hill Collegiate Charter School, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ocean Hill Collegiate Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Ocean Hill Collegiate Charter School's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of Ocean Hill Collegiate Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ocean Hill Collegiate Charter School's internal control over other financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

OCEAN HILL COLLEGIATE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(With Comparative Totals for 2014)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 423,058	\$ 417,339
Grants and other receivables	106,308	67,108
Prepaid expenses	26,454	16,372
TOTAL CURRENT ASSETS	555,820	500,819
<u>PROPERTY AND EQUIPMENT, net</u>	294,042	146,410
TOTAL ASSETS	<u>\$ 849,862</u>	<u>\$ 647,229</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 304,140	\$ 185,927
Due to related party	-	28,840
TOTAL CURRENT LIABILITIES	304,140	214,767
<u>NET ASSETS, unrestricted</u>		
Designated for stability fund	240,000	240,000
Undesignated	305,722	192,462
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 849,862</u>	<u>\$ 647,229</u>

The accompanying notes are an integral part of the financial statements.

OCEAN HILL COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Year ended June 30,	
	<u>2015</u>	<u>2014</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 4,676,987	\$ 3,731,559
Government grants	225,973	190,611
Contributions	563,615	27,000
Other income	<u>77,551</u>	<u>16,933</u>
TOTAL OPERATING REVENUE AND SUPPORT	5,544,126	3,966,103
Expenses:		
Program services - education	4,838,087	3,632,541
General and administrative	<u>592,779</u>	<u>471,841</u>
TOTAL EXPENSES	<u>5,430,866</u>	<u>4,104,382</u>
CHANGE IN NET ASSETS	113,260	(138,279)
Unrestricted net assets at beginning of year	<u>432,462</u>	<u>570,741</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 545,722</u>	<u>\$ 432,462</u>

The accompanying notes are an integral part of the financial statements.

OCEAN HILL COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Program services - education	General and administrative	Total	
			Year ended June 30,	
			2015	2014
Salaries	\$ 2,957,211	\$ 199,385	\$ 3,156,596	\$ 2,518,213
Payroll taxes and employee benefits	536,797	34,925	571,722	444,395
Repairs and maintenance	90,132	5,711	95,843	25,451
Textbooks	27,171	-	27,171	15,260
Instructional supplies and assessments	143,823	-	143,823	58,388
Computer and technology support	185,232	-	185,232	74,369
Student enrichment and services	252,947	-	252,947	157,817
Professional development	156,869	-	156,869	122,755
Professional services	-	21,203	21,203	19,299
Telephone	-	76,329	76,329	55,312
Insurance	-	41,024	41,024	37,462
Management fees	369,917	65,280	435,197	368,362
Office expense	32,549	135,236	167,785	110,412
Occupancy	-	-	-	11,344
Depreciation and amortization	85,439	143	85,582	78,094
Other	-	13,543	13,543	7,449
	<u>\$ 4,838,087</u>	<u>\$ 592,779</u>	<u>\$ 5,430,866</u>	<u>\$ 4,104,382</u>

The accompanying notes are an integral part of the financial statements.

OCEAN HILL COLLEGIATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 113,260	\$ (138,279)
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Depreciation and amortization	85,582	78,094
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(39,200)	12,353
Prepaid expenses	(10,082)	(10,977)
Accounts payable and accrued expenses	118,213	(77,651)
Due to related party	(28,840)	28,840
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	238,933	(107,620)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(233,214)	(32,254)
NET CASH USED FOR INVESTING ACTIVITIES	(233,214)	(32,254)
NET INCREASE (DECREASE) IN CASH	5,719	(139,874)
Cash at beginning of year	417,339	557,213
CASH AT END OF YEAR	<u>\$ 423,058</u>	<u>\$ 417,339</u>

The accompanying notes are an integral part of the financial statements.

OCEAN HILL COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Ocean Hill Collegiate Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On February 23, 2009, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On February 23, 2014, the Board of Regents extended the charter through July 31, 2015. See Note I for status of charter effective July 1, 2015.

The Charter School’s mission is to prepare students to enter, succeed in, and graduate from college.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2015 or 2014.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2015 or 2014.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

OCEAN HILL COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000 at the institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2015 or 2014.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. The Charter School files the Form 990 in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2012 through June 30, 2015 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

OCEAN HILL COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

In-kind contributions

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School received in-kind contributions of textbooks totaling \$63,408 and \$16,899 for the years ended June 30, 2015 and 2014, respectively, and are included in other income in the accompanying statement of activities and changes in net assets for the years ended June 30, 2015 and 2014.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for period ended June 30, 2014

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the period ended June 30, 2014, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 20, 2015, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. ("USI"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated July 1, 2010, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expenses for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 10% for years 1-3, decreasing to 9.5% in year 4 and 9% in year 5. The fee incurred for the years ended June 30, 2015 and 2014 was approximately \$435,000 and \$368,000, respectively. At June 30, 2015 and 2014, approximately \$19,400 and \$3,000, respectively, is included in accounts receivable and \$151,900 and \$96,500, respectively, is included in accounts payable, relating to USI.

OCEAN HILL COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

The Charter School is related to Kings Collegiate Charter School, Brownsville Collegiate Charter School, Brooklyn East Collegiate Charter School, Williamsburg Collegiate Charter School and Bedford Stuyvesant Collegiate Charter School through common Board representation. As none of the schools have an economic interest in the net assets of any other school, the facts do not require consolidation of any of these schools with the Charter School in accordance with GAAP.

See Note I regarding a merger with related parties and replacement of the agreement with USI for providing management and other administrative support services.

In December 2013, the Charter School entered into a memorandum of understanding with Leadership Preparatory Bedford Stuyvesant Charter School (“Leadership Prep Bed-Stuy”) and Brooklyn East Collegiate Charter School to co-locate at a shared high school beginning in the 2014-2015 school year. Leadership Prep Bed-Stuy is the funding agent for the shared high school and expenses are allocated among applicable schools based on full-time equivalent numbers. At June 30, 2014, there were certain related party payables valued at approximately \$29,000 due to Leadership Prep Bed-Stuy as a result of shared facilities. At June 30, 2015, there were no related party payables due to Leadership Prep Bed-Stuy.

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. At both June 30, 2015 and 2014, the Board of Trustees has designated \$240,000 as a stability fund to meet future needs of the Charter School. During the year ended June 30, 2014, the Charter School paid a fee to the New York City Department of Education for additional after-school and weekend usage amounting to approximately \$11,300. There were no amounts paid during the year ended June 30, 2015.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 10,501	\$ 3,226
Computers and software	376,235	257,371
Leasehold improvements	<u>249,519</u>	<u>142,444</u>
	636,255	403,041
Less accumulated depreciation and amortization	<u>342,213</u>	<u>256,631</u>
	<u>\$ 294,042</u>	<u>\$ 146,410</u>

OCEAN HILL COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. The Charter School's total contribution to the Plan for the years ended June 30, 2015 and 2014 approximated \$73,900 and \$59,100, respectively.

NOTE F: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE G: CONCENTRATIONS

At June 30, 2015 and 2014, 15% and 18%, respectively, of accounts receivable are due from New York State. At June 30, 2015 and 2014, 61% and 76%, respectively, of accounts receivable are due from a grantor.

During the years ended June 30, 2015 and 2014, 84% and 94%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

NOTE H: OPERATING LEASE

The Charter School leases office equipment under non-cancelable lease agreements expiring through August 2017. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 41,664
2017	19,664
2018	<u>2,544</u>
	<u>\$ 63,872</u>

OCEAN HILL COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE I: MERGER

In December 2014, the Charter School's Board of Trustees approved the merger of the Charter School and Leadership Preparatory Bedford Stuyvesant Charter School, as the successor Charter School under the name Uncommon New York City Charter Schools, in conjunction with Excellence Charter Schools, Bedford Stuyvesant Collegiate Charter School, Brooklyn East Collegiate Charter School, Kings Collegiate Charter School, Leadership Preparatory Brownsville Charter School, Leadership Preparatory Canarsie Charter School, Leadership Preparatory Ocean Hill Charter School and Brownsville Collegiate Charter School. The merger was approved on March 6, 2015 by the SUNY Board of Trustees and on June 30, 2015 by the Board of Regents. The merger is effective July 1, 2015. In conjunction with this merger, the Charter School was dissolved and a new agreement is being negotiated with USI to provide management and other administrative services to Uncommon New York City Charter Schools.

OCEAN HILL COLLEGIATE CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Ocean Hill Collegiate Charter School

We have audited the financial statements of Ocean Hill Collegiate Charter School as of and for the year ended June 30, 2015, and we have issued our report thereon dated October 20, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2015 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2015, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 20, 2015

OCEAN HILL COLLEGIATE CHARTER SCHOOL

SCHEDULE OF MIDDLE SCHOOL AND HIGH SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Middle School</u>	<u>High School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 4,129,294	\$ 547,693	\$ 4,676,987
Government grants	185,106	40,867	225,973
Contributions	125,000	438,615	563,615
Other income	<u>68,086</u>	<u>9,465</u>	<u>77,551</u>
TOTAL OPERATING REVENUE AND SUPPORT	4,507,486	1,036,640	5,544,126
Salaries	2,766,975	389,621	3,156,596
Payroll taxes and employee benefits	511,763	59,959	571,722
Repairs and maintenance	39,380	56,463	95,843
Textbooks	5,376	21,795	27,171
Instructional supplies and assessments	122,599	21,224	143,823
Computer and technology supplies	114,146	71,086	185,232
Student enrichment and services	223,216	29,731	252,947
Professional development	115,538	41,331	156,869
Professional services	18,811	2,392	21,203
Telephone	54,738	21,591	76,329
Insurance	36,656	4,368	41,024
Management fees	384,050	51,147	435,197
Office expense	136,061	31,724	167,785
Depreciation and amortization	51,198	34,384	85,582
Other	<u>6,612</u>	<u>6,931</u>	<u>13,543</u>
TOTAL EXPENSES	<u>4,587,119</u>	<u>843,747</u>	<u>5,430,866</u>
CHANGE IN NET ASSETS	<u>\$ (79,633)</u>	<u>\$ 192,893</u>	<u>\$ 113,260</u>

OCEAN HILL COLLEGIATE CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Ocean Hill Collegiate Charter School

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Ocean Hill Collegiate Charter School, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ocean Hill Collegiate Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ocean Hill Collegiate Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Ocean Hill Collegiate Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ocean Hill Collegiate Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ocean Hill Collegiate Charter School in a separate letter dated October 20, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

OCEAN HILL COLLEGIATE CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2015

To the Board of Trustees
Ocean Hill Collegiate Charter School

In planning and performing our audit of the financial statements of Ocean Hill Collegiate Charter School (the “Charter School”) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During the course of our audit of the financial statements of Ocean Hill Collegiate Charter School as of June 30, 2015 and for the year then ended, we have updated the status of the comments that were included in our letter dated October 16, 2014 and are included for informational purposes. We do not consider these matters to be significant deficiencies or material weaknesses:

Review of Fixed Asset Listing

During our audit we noted that there were certain assets that had erroneously been capitalized twice, which resulted in depreciation expense being overstated.

Recommendation

We recommend that fixed assets be capitalized as they are acquired versus waiting until year-end close to move assets from expense accounts to asset accounts. Further, we recommend that the listing be thoroughly reviewed on an annual basis to ensure that it is both complete and accurate.

Status as of June 30, 2015

During our current year audit, we found the records to be complete and accurate.

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This communication is intended solely for the information and use of management, the audit committee, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Shelby Stenson.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

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